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Investment Idea / IPO Note

Guan Huat Seng Holdings Berhad

A Foodie Galore

By Crystal Chin

BUY

IPO Price: RM0.25

Fair Value: RM0.31

Guan Huat Seng Holdings Berhad (GHS: 0387), specialises in the distribution and retail of shelf-stable and frozen seafood, flavouring products, dried food and snacks, and general grocery products. We project GHS to register core net earnings of RM9.2m and RM10.1m for FY26F and FY27F. BUY with a fair value of RM0.31, premised on 16x PER over FY26F EPS, underpinned by (i) capacity expansion, (ii) broader product portfolio, and (iii) extensive distribution network.

The Group plans to introduce new products by 2HCY26, plus an expanded range of externally sourced products, primarily shelf-stable and frozen seafood. We view this broader product offering to improve scale efficiencies and support margin resilience over the medium term. As such, the Group intends to set up three additional retail outlets (two in Klang Valley and one in Johor) from its existing single retail outlet, with operations expected to commence between 2HCY26 and 2HCY27. This will complement its distribution network across 12 Malaysian states and 16 overseas markets. The retail expansion is aimed at strengthening customer engagement through physical touchpoints, facilitating small-volume purchases and enhancing brand visibility.

Approximately 70% of IPO proceeds will be allocated towards facilities expansion, including the construction of a new Integrated Complex in Batu Berendam, Melaka, targeted to commence by 1QCY26, to support distribution and seafood processing activities, alongside showroom, office and R&D functions. In addition, a new Krubong facility will be established for in-house flavouring production and warehousing. Both facilities are expected to be completed by 2HCY28. The expansion is deemed timely, given that the Group's effective manufacturing utilisation rate currently ranges between 74% to 96%, indicating limited headroom under existing facilities.

Visit Malaysia 2026 is targeting 35.6m tourist arrivals thus foodservice activity is expected to strengthen across restaurants, hawker centres and catering operators. This is likely to translate into higher downstream demand for processed and frozen seafood products hence providing an indirect volume uplift for distributors such as GHS.

GHS's gearing ratio stood at 0.4x in FY25 and is expected to achieve net cash position post-listing. The Group has committed a dividend payout of up to 30% of net profit translating to a yield of around 1.2% this year.

KLCI	1,712.85
YTD FBM KLCI change	+1.95%
YTD FBM SC Index change	+3.25%

Stock Information

Market Cap Upon Listing (RM'm)	118.38
Enlarged Share Capital (m)	473.50
Shariah Compliant	No

IPO Proceeds (RM'm)

Part-finance the setup of a New Integrated Complex	12.00
Part-finance the setup of a New Krubong Facility	9.00
Working capital	3.00
Marketing expenses	1.50
Estimated listing expenses	4.50
Total	**30.00**

Major Shareholders

Chan Kim Yeo	33.18%
Yeo Tian Ee	21.46%
Yeo Tian Seng	15.59%

Summary Earnings Table

FY July (RM'm)	2024A	2025A	2026F	2027F
Revenue	84.8	93.1	105.2	115.3
EBIT	9.3	11.2	14.1	15.5
Pretax profit	8.7	10.3	13.1	14.4
PATAMI	**6.7**	**7.2**	**9.2**	**10.1**
Core PATAMI	**6.7**	**7.2**	**9.2**	**10.1**
Consensus	-	-	-	-
Core EPS (sen)	1.4	1.5	1.9	2.1
EPS growth (%)	55%	7%	27%	10%
DPS (sen)	0.2	0.0	0.3	0.3
PER (x)	17.6	16.4	12.9	11.7
BV/Share (RM)	0.09	0.24	0.26	0.28
ROE (%)	12.3%	15.8%	9.3%	7.7%
Div. Yield (%)	0.7%	0.0%	1.2%	1.3%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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